Acuité
RATINGS & RESEARCH

Press Release

Moldwell Products India Private Limited

June 04, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs. 8.93 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable

** Refer Annexure for details*

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' **(read as ACUITE BB minus)** on the Rs.8.93 crore bank facilities of Moldwell Products India Private Limited. The outlook is **'Stable'**.

Moldwell Products India Private Limited (MPPL) is a Tamil Nadu based company promoted by Mr. Soundararaj and family. It initially established in the year 1981 as a proprietorship firm and converted to 'Private Limited company' in 2008. The company is engaged in manufacturing of industrial plastic components, plastic injection molded machines and Plastic mold's and dies for industrial components. The products manufactured by the company are used in textile, automobile among others and the supplies are mainly to the original equipment manufacturers.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of MPPL to arrive at this rating.

Key Rating Drivers

Strengths

- **Long track record of operations and experienced management**

  MPPL is in the said line of business since 1981. The company is promoted by Mr. Soundararaj and family who possess about four decades of experience in the industry, which helped the company in maintaining healthy relationship with its customers as well as suppliers. The same has reflected in repeat orders from its customers. Its supplies to more than 80 customers in India. Some of the key customers are Lakshmi Machine Works Limited, Texmo Industries Ltd, Archana Industries, India Japan Lighting Private Limited among others. Acuité believes that the company's presence, diverse business segments, promoters' experience is expected to support in improvement of its business risk profile over the medium term.

- **Moderate financial risk profile**

  Financial risk profile of the company is moderate marked by moderate gearing (Debt-Equity) and total outside liabilities to total net worth (TOL/TNW), comfortable debt protection metrics though constrained by modest net worth. Gearing and TOL/TNW are moderate at 0.96 times and 1.51 times as of March 31, 2019 (provisional) as against 1.22 and 1.83 times as on 31 March, 2018 respectively. The net worth is modest at Rs.9.99 crore as on 31 March 2019 (Provisional) as against Rs.9.23 crore as on 31 March, 2018. Debt protection metrics of interest coverage ratio and net cash accruals to total debt (NCA/TD) stood comfortable at 4.03 times and 0.24 times in FY2019 (Provisional) as against 3.62 times and 0.21 times in FY2018 respectively. The cash accruals are about Rs.2.34 crores in FY2019 (provisional) against Rs.2.31 crore in FY2018. In FY2019, the company did a capital expenditure of about Rs.2.6 crore to purchase machinery which was funded mainly through bank loan. Cash accruals are expected at about Rs.2.3-2.8 crore, against the repayment obligations of about Rs.1.7-2.00 crore over the medium term. Acuité believes that with moderate accruals and routine capex of about Rs.1-2 crore, the financial risk profile is expected to be moderate over the medium term.

Weaknesses

- **Modest scale of operations and volatile profitability**
  Revenues of the company are modest and stood at Rs.26.61 crore in FY2017, Rs.30.02 crore in FY2018 and Rs.31.6 crores in FY2019 (Provisional); marginal growth is due to modest orders. However, operating margins of the company are volatile: they declined from 14.35 percent in FY2016 to 11.15 percent in FY2018 due to fluctuating raw material cost and lack of flexibility to pass on. Ability of the company to improve the scale of operations while maintaining stable profitability would be key rating sensitivity factors over the medium term.

- **Working capital intensive operations**
  Operations of the company are working capital intensive marked by high gross current asset (GCA) of 162 days for FY 2018 as compared 151 days for FY 2017. This is mainly on account of high debtor cycle which stood at 92 days in FY2018 as against 89 days in FY2017. Inventory days are moderate and stood around one month for the last three years through FY2018. However, modest scale of operations and networth lead to moderate utilisation of its bank lines at about 60-65 per cent over six months through April 2019. Acuité believes that with modest accruals and business cycle, the operations continue to be working capital intensive over the medium term.

- **Highly fragmented and competitive industry**
  The company is operating in a highly fragmented and competitive industry with several organized and unorganised players thus limiting the pricing flexibility and the margins. Further, operating margins are also exposed to raw material price fluctuation risk as raw materials are mainly derived from crude oil and lead to volatile profitability.

Liquidity position

MPPL has moderate liquidity marked by moderate net cash accruals though partly constrained by working capital intensive operations. The company reported net cash accruals (NCA) of Rs.2.34 crore in FY2019 (provisional). Cash accruals are expected at about Rs.2.3-2.8 crore, against the repayment obligations of about Rs.1.7-2.00 crore over the medium term. However, operations are working capital intensive as reflected in high GCA at 162 days in FY2018 though utilisation is moderate at about 60-65 per cent. The current ratio stood moderate at 1.20 times as on March 31, 2018. Acuité believes that the liquidity of MPPL is likely to remain moderate over the medium term.

Outlook: Stable

Acuité believes that MPPL will maintain a 'Stable' outlook over the medium term backed by its experienced management and long track record of operations. The outlook maybe revised to 'Positive' in case of higher-than-expected growth in its revenues while maintaining its profitability margins and capital structure. Conversely, the outlook maybe revised to 'Negative' in case of any stretch in its working capital management or larger-than-expected debt-funded capital expenditure resulting in deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	30.02	26.61	25.29
EBITDA	Rs. Cr.	3.35	4.23	3.63
PAT	Rs. Cr.	0.35	1.27	0.73
EBITDA Margin	(%)	11.15	15.89	14.35
PAT Margin	(%)	1.17	4.78	2.90
ROCE	(%)	7.16	14.51	22.66
Total Debt/Tangible Net Worth	Times	1.22	1.20	1.10
PBDIT/Interest	Times	3.62	5.29	4.95
Total Debt/PBDIT	Times	3.32	2.51	2.30
Gross Current Assets (Days)	Days	162	151	149

Status of non-cooperation with previous CRA (if applicable)
None

Any other information
None

Applicable Criteria
- Default Recognition - https://www.acuite.in/criteria-default.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.htm
- Financial Ratios And Adjustments -https://www.acuite.in/view-rating-criteria-20.htm

Note on complexity levels of the rated instrument
https://www.acuite.in/criteria-complexity-levels.htm

Rating History (Upto last three years)
Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	8.93	ACUITE BB- / Stable

Contacts

Analytical	Rating Desk
Srihari Adari Head - Corporate and Infrastructure Sector Ratings Tel: 040-40042327 srihari.adari@acuite.in Naveen Papisetty Analyst - Rating Operations Tel: 040-40055480 naveen.papisetty@acuiteratings.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuité Ratings & Research:
Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.